

\$eniors **are getting** **\$CAMMED!**

Learn to **Protect**
Yourself from
Telemarketing and
Investment Fraud Crimes.

Ask Us How.

GET INVOLVED.
BECOME A SAIF VOLUNTEER.

1-866-ASK-CORP WWW.CORP.CA.GOV



DEPARTMENT OF
CORPORATIONS

California's Investment and Financing Authority

State of California
Business, Transportation and Housing Agency

The preparation of this publication was financially assisted through Grant Award Number IFO1019509 from the California Office of Criminal Justice Planning (OCJP).



Seniors Against Investment Fraud

What is SAIF?

The Seniors Against Investment Fraud (SAIF) Program is an innovative educational outreach campaign funded by the Governor's Office of Criminal Justice Planning and led by the Department of Corporations, California's Investment and Financing Authority. The purpose of SAIF is to educate and empower California's seniors on how to detect, stop, and avoid telemarketing fraud, as well as provide them with information on what to do if they are victimized.

Why SAIF?

A study conducted by the Department of Corporations, found that 70% of Californians over the age of 50 have been approached by a fraudulent individual, and that Californians over 50 have lost over to \$3.8 billion dollars to investment fraud alone. Seniors are on the top of the list of the most vulnerable to fraud, for several reasons:

- ◆ Accessibility & Isolation: Seniors tend to be home more often and are more isolated from family and friends.
- ◆ Trusting: Seniors tend to be more trusting, more easily intimidated, and less apt to be rude.
- ◆ Assets: Many seniors have a substantial amount of disposable income, used to supplement their retired living.

How SAIF works

The best way to combat consumer fraud is to become a knowledgeable consumer.

- ◆ SAIF works from the grassroots level, by enlisting and training volunteers from all over the state of California. The volunteers are composed of seniors and professionals who take an active role in spreading SAIF's message to California's seniors.
- ◆ SAIF's professional training consultants provide the volunteers with a comprehensive training manual, and materials to use when presenting educational programs to seniors within their community.
- ◆ SAIF has formed partnerships with state and local agencies, senior advocacy groups and consumer groups, and members of the senior public who work together to educate and inform California's seniors on fraud prevention.

SAIF Contacts

- ◆ Department of Corporations
1-866-ASK-CORP
www.corp.ca.gov
- ◆ Robyn Goodman, Program Manager
(916)445-1349
rgoodman@corp.ca.gov

Volunteer Information

- ◆ Southern CA:
WISE Senior Services
(310) 925-1210
- ◆ Northern CA:
Dr. Alice Molina **(916) 869-1318**
Dick Ryder **(916) 869-1295**

COMMON INVESTMENT FRAUDS

Provided by the California Department of Corporations
Seniors Against Investment Fraud (SAIF) Program

§ Unlicensed Independent Insurance Agents and Broker-dealers Selling Securities §

Scam artists entice independent insurance agents into the sales of securities to unsuitable investors or they offer fraudulent securities. They also fail to disclose critical information to investors, and use market manipulation to scam their victims.

§ Investment Seminars and Financial Planning Activity §

Scam artists use investment seminars and pose as financial planners offering appealing and far-fetched investment advice to the unsuspecting investor. Much of the advice they give during these seminars may require a license, and may lack a disclosure of conflicts of interest, as well as many hidden fees and commissions. The extra fees or phony investment opportunities are usually not discovered by the investor until it is too late.

§ Annuities §

A contract written by a life insurance company to provide continuing income for a specified amount of time. Payments are generally made on a monthly basis or in periodic installments, in most cases to supplement retirement income. Scam artists will often con people into buying annuities that are unsuitable, misguided and inappropriate for their situations. Because annuities are a vital form of financial protection for seniors, the misleading and ill-advised information given to them can be devastating.

§ Illegal Securities Offered as Individual Retirement Account (IRA) Investments §

Increasingly, unscrupulous self-directed IRA custodians are offering to hold unlawful and fraudulent securities in IRA accounts. When the fraudulent or illegal nature of the securities becomes clear, investors may not only lose their entire investments, but may be faced with additional IRS and administrative penalties as well. Many investors believe that just because an investment is being held in an IRA account, it is safe and legal. Investors must ensure that the investment is properly registered and is being offered by a properly licensed salesperson.

§ "Callable" CD's §

These higher-yielding certificates of deposit won't mature for 10-20 years; unless the bank, not the investor, "calls" or redeems them. Redeeming the CD early may result in large losses-upwards of 25% of the original investment. Regulators say sellers of callable CDs often don't adequately disclose such risks and restrictions to investors.

§ Promissory Notes §

Promissory Note scams offer investors a promise of high returns at low risk for their investment. Many of the notes are short-term debt instruments issued on behalf of a fraudulent institution or companies that don't exist, each promising high returns – upwards of 15% monthly – with little or no risk, typically with a maturity of 9-months.

§ Predatory Lending §

Predatory lending consists of a variety of home mortgage lending practices, where predatory lenders will pressure consumers into signing loan agreements that are not in the consumer's best interest or that they cannot afford. The scam artist may use a combination of false information, false promises, and deceptive sales practices to convince the borrower to commit before they are able to fully have knowledge of the agreement.

§ Prime Bank Schemes §

Scam artists promise investors triple-digit returns through access to the investment portfolios of the world's elite banks. Users of these types of schemes often target conspiracy theorists, promising access to "secret" investments used by the Rothschilds or Saudi royalty.

§ Affinity Group Fraud §

Affinity fraud occurs when scam-artists use their victim's religious or ethnic identity to gain their trust – knowing that it's human nature to trust people who are like you. Advertising in the media that serves specific ethnic groups is used to identify potential victims, often with offers of employment, training or financial advice.

§ Internet Fraud §

The Internet's wide reach and supposed anonymity are two attractive features for scam artists. Con artists use the Internet for a wide variety of scams including pyramid schemes; promotion of bogus "prime bank" investments and enhancing the sale of thinly traded stocks. Regulators urge investors to ignore anonymous financial advice on the Internet via e-mail or advertisements.

§ Ponzi/pyramid schemes/bunco §

Ponzi schemes are swindles in which tremendous rates of return are paid to initial investors out of funds from later investors, who end up losing all of their money when the house of cards falls down. A pyramid scheme involves the collection of money from individuals at the bottom (new investors) to pay the initial investors at the top, with all the emphasis on bringing in new members/investors and not on selling the product or service.

§ Viatical Investment Scams §

Viatical investment companies solicit investors to buy interests in the death benefits provided for in life insurance policies of terminally ill patients, including AIDS and cancer patients. The insured receives a discounted percentage of the death benefits in cash to allegedly improve the quality of their lives in the final days. Investors get their share of the death benefit when the insured dies, less a brokerage fee for the viatical investment broker. These investments are extremely high risk, particularly for seniors.

INVESTIGATE BEFORE YOU INVEST

CONTACT THE DEPARTMENT OF CORPORATIONS HELP LINE

1-866-ASK-CORP

OR VISIT US ON-LINE

WWW.CORP.CA.GOV



INVESTOR SELF-DEFENSE TIPS



Don't be a "courtesy victim". Con artists don't hesitate to take advantage of people with good manners, and fear they are being "rude" by hanging up or saying "no" to their sales pitches. When in doubt about a phone call or personal visit, make no promises or commitments. A stranger either on the phone or at your door should be regarded with the utmost caution. In these circumstances it is not impolite to simply say that you're not interested. It is far better to hold off on an investment you're unsure of and possibly lose an opportunity, than it is to make a commitment and lose everything.



Be wary of unexpected phone calls, letters, or personal visits from strangers who require your immediate investment. Turn down any high-pressure requests that are accompanied by immediate action warnings like "Tomorrow will be too late" or "You must act now". If the person offering you an investment opportunity is not willing to give you time to investigate the salesperson, firm, and investment opportunity itself, then there is probably something that they are trying to hide from you. The California Department of Corporations can help you with information on firms and individuals in the securities and investment industries, including stockbrokers, investment advisers and financial planners.



Ask for written information about the organization behind the investment plan. This includes the work history and background of the person handling your account, as well as information on the firm itself. Make sure your brokers, investment advisers, and investment advisor representatives are licensed to sell securities. Don't be afraid to ask questions, if the salesperson does not want to give you information, it is because they are hiding something.



Before making a commitment, get a professional opinion. Ask your attorney, stockbroker, accountant, or other reliable consultant about the investment first. Even discussing the opportunity with friends and family first can prove to be beneficial. Don't be afraid to discuss it with others before making the investment.



Make sure you clearly understand and receive a written copy of the investment. Understand the terms and conditions of the transaction clearly. Beware of any financial professional who suggests putting money into something that you don't understand, or who promises to "take care of everything for you". Demand a copy of the complete information including the risks, obligations, and any costs associated with the investment; as well as full and complete information about commissions, sales charges, maintenance or service charges, transaction or redemption fees, and any penalties associated with the investment. The minimum services a financial planner should provide to you are:

- ✓ A clearly written individualized financial plan
- ✓ A discussion of the amount of risk you are willing to assume
- ✓ A detailed explanation of the assumptions underlying the plan
- ✓ A specific schedule for monitoring your financial plan
- ✓ Any additional advise and investment choices available to you



Don't let embarrassment or fear keep you from reporting investment fraud or abuse, or from asking questions about your investment. Con artists prey on your fears and rely on them in order to con you out of your financial freedom. They are counting on your fear to make their money. If you feel any doubt about an investment, or feel that you have been a victim of investment fraud, report such fears immediately. These con artists will stop at nothing until they take everything you have.

A critical step in wise investing for any individual investor is to **INVESTIGATE BEFORE YOU INVEST!** Look into the backgrounds of potential brokers and advisers prior to entering into financial relationships with them. There are numerous agencies that may provide you with the necessary information to help you invest wisely. For a list of resources and agencies responsible for your investment, as well as information regarding investment frauds including consumer complaint forms and investor tips contact the Department of Corporations help line at **1-866-ASK-CORP** or access the Department of Corporations website at www.corp.ca.gov.

INVESTIGATE BEFORE YOU INVEST

Don't let con artists get the best of your fears and doubts contact the Department of Corporations before making an investment!

Provided by the Department of Corporations Seniors Against Investment Fraud Program

**DEPARTMENT OF
CORPORATIONS**

California's Investment and Financing Authority



The following form must be signed and dated when being mailed to any of the above addresses for name removal. Please make enough copies of the form to send to each address. Mailing this form to only one of the addresses will not remove you from all of them; you must send one to each company.

By calling 1-888-5 OPTOUT (1-888-567-8688), you can remove your name from these three credit reporting agencies: **Equifax, Experian, and Trans Union**. You DO NOT need to mail the form if you choose to call the toll free number.

Calling 1-888-5 OPTOUT will not remove you from the **Advo Systems, Inc.** mailing list nor will it add your name to the **Direct Marketing Association, Inc.** do not call list; you must fill out and mail this form to both Advo Systems, Inc. and the Direct Marketing Association, in order to be removed from their lists.

To: Equifax, Experian, and Trans Union—REMOVE MY NAME FROM YOUR MAILING LISTS

To: Advo Systems, Inc.—REMOVE MY NAME FROM YOUR MAILING LISTS

To: DMA Inc.—REGISTER MY NAME WITH TELEPHONE PREFERENCE SERVICE

NAME: _____

ADDRESS: _____

CITY: _____

STATE: _____ ZIP CODE: _____

TELEPHONE NUMBER: () _____

SIGNATURE: _____

TODAY'S DATE: _____



SAIF PROGRAM

1. Don't Invest until you Investigate!

What do you have to lose...besides your entire life savings?

Call the Department of Corporation's toll free number prior to purchasing any type of financial product. The Department can provide you company background information and help you identify "red flags" before you invest your money.

2. Don't Invest Right Away: Slow Down and Take Your Time

Don't make a quick decision no matter how enticing the investment appears. Most fraud occurs because the con artist talks the victim into making a "rushed" decision.

3. Don't be too trusting. Remember, Appearances can be Deceiving.

Often, the nicer and more professional the salesperson appears, the greater the con artist.

4. Don't Invest more than you can afford to lose.

Remember how many years it took you to save the money you have? How much are you willing to lose if the investment turns out to be a scam? Are you investing your entire life savings? If you lose everything you have, what will you do?

5. Don't believe "guaranteed" large rates of return on your investment.

There are always risks to investing. If you are promised a high return rate, be extremely cautious!

6. Don't Invest until you complete the "Four C's":

Consider your options.

Compare it to others.

Consult with someone you trust.

Call the Department of Corporation's Toll Free Number (866) ASK-CORP.

CALL THE DEPARTMENT OF CORPORATIONS
TOLL FREE (866) ASK-CORP (275-2677)
BEFORE YOU INVEST

SAIF

Volunteer Trainer Information

SAIF's primary goal is to take the leadership role to alert and educate Californian's over the age of 50 about investment and telemarketing fraud crimes, and teach them how to avoid being victimized.

Date: _____

Name: _____

Daytime Phone #: (____) _____ Other: (____) _____

Address: _____

City: _____ Zip Code: _____

E-mail Address: _____

Occupation: _____

What organization do you belong to that might provide a forum for SAIF: _____

Agency/Organization Contacts: _____

How did you hear about our program? _____

Please fill out the form and return by mail to:

SAIF PROGRAM
Department of Corporations
1515 K Street, 2nd Floor
Sacramento, CA. 95814

For further information you may contact:
The Department of Corporations: 1-866-ASK-CORP
Or visit us on-line at: www.corp.ca.gov
Robyn Goodman, Program Manager: (916) 445-1349

“Investigate Before You Invest”

BEFORE investing your money, ask the person/company who is offering services (legal, investment, insurance, financial, etc.) to complete this form and leave it with you.

What product(s) are you offering? : (Check all that apply)

- | | | | |
|---|-------|---------------------------------------|--|
| <input type="checkbox"/> Insurance | Type: | <input type="checkbox"/> Annuities | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Investment | Type: | <input type="checkbox"/> Securities | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Legal Services | Type: | <input type="checkbox"/> Living Trust | <input type="checkbox"/> Estate Planning <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Financial | Type: | <input type="checkbox"/> Accountant | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Other: _____ | | | |

Who regulates or licenses this product/service?

<input type="checkbox"/> California Department of Corporations	<input type="checkbox"/> California Department of Real Estate
<input type="checkbox"/> California Department of Insurance	<input type="checkbox"/> California Board of Accountancy
<input type="checkbox"/> Other (please identify/explain): _____	<input type="checkbox"/> The State Bar of California

What license(s) do you hold that authorizes you to sell this product/service?

LICENSE TYPE	LICENSE INFORMATION
Insurance License	License No: _____
Securities License	CRD No: _____
Investment Advisor	License No: _____ <input type="checkbox"/> Corporations <input type="checkbox"/> SEC
State Bar License	State Bar No: _____
Accountant License	CPA No. _____
Real Estate License	DRE License No: _____
Other	Explain: _____

Seller/Agent Information

Seller/Agent Name: _____

Company/Business Name: _____

Company/Business Address: _____

Phone Number: _____ Today's Date: _____



Provided by the California Department of Corporations, SAIF Program
1-866-ASK-CORP

"Investigate Before You Invest"

Helpful tips on how to become a more knowledgeable consumer.

Once the information on the front side of this form has been filled out and left with you, call the appropriate agency to confirm that the person/company holds a valid license (i.e. is **both** licensed and authorized to sell/offer the product to you) **BEFORE** you **INVEST** your money with anyone.



The California Department of Corporations
1-866-ASK-CORP (275-2677)



The California Department of Insurance
1-800-927-HELP (4357)



The California Department of Real Estate

Contact one of the four regional offices:

Sacramento: 916-227-0931
Los Angeles: 213-620-2072

San Diego: 619-525-4192
Oakland: 510-622-2552



The California Board of
Accountancy
916-263-3686



The State Bar of California
1-800-843-9053

A knowledgeable consumer is a "safe" consumer. The "S.A.I.F." Program (Seniors Against Investment Fraud) offers safety through education! Don't invest until you investigate and have completed the "Four C's":

Consider your options.

Compare it to others.

Consult with someone you trust.

Call the Department of Corporation's toll free number

1-866-ASK-CORP